

Message Text

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PAGE 01 THE HA 04686 301441Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AID-05 CEA-01 CIAE-00 COME-00

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

XMB-02 NSC-05 SS-15 STR-04 AGR-05 SAJ-01 SAM-01 L-03

H-02 PRS-01 PA-01 FEAE-00 INT-05 /129 W

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R 301355Z AUG 76

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 8845

INFO USEC BRUSSELS

OSOECD PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EGEN, NL

SUBJ: DUTCH GOVERNMENT ACKNOWLEDGES HIGHER INFLATION RATE IN 1976

1. THE GOVERNMENT NOW EXPECTS THE AVERAGE PRICE RISE THIS YEAR TO TOTAL BETWEEN 8.5 AND NINE PERCENT. THIS SLIGHT UPWARD REVISION OF ITS EARLIER ESTIMATE OF BETWEEN 8.25 AND 8.5 PERCENT JEOPARDIZES THE GOVERNMENT'S HOPES FOR LABOR RESTRAINT ON WAGES WHEN NEGOTIATIONS WITH UNIONS AND EMPLOYERS RESUME IN OCTOBER.

2. COMMENT: THE GOVERNMENT'S NEW ESTIMATE QUIETLY ACCEPTED WHAT MOST EXPERTS HAVE BEEN SAYING FOR SOME WEEKS. ATTENTION WAS DISTRACTED FROM THE OFFICIAL ACKNOWLEDGMENT, HOWEVER,
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BY THE MAJOR POINT OF ECONOMICS MINISTER LUBBERS' ANNOUNCEMENT,

NAMELY THAT THE GOVERNMENT HAS DECIDED NOT TO POSTPONE ANY LONGER THE INCREASE FROM 16 TO 18 PERCENT IN THE VALUE ADDED TAX. THIS POLITICALLY CHARGED TWO PERCENT ADDITION WAS PROPOSED BY THE GOVERNMENT IN ITS BUDGET MESSAGE LAST SEPTEMBER, BUT THE DATE FOR IMPOSING IT WAS POSTPONED FROM JULY 1 UNTIL OCTOBER 1 AS A SWEETENER TO LABOR FOR HAVING TO ENDURE A WAGE FREEZE THROUGH THE FIRST HALF OF 1976. LABOR AND MANAGEMENT HAVE BEEN URGING THAT THE VAT INCREASE BE POSTPONED UNTIL JANUARY 1, 1977. WE UNDERSTAND THAT PRIME MINISTER DEN UYL, SOCIAL AFFAIRS MINISTER BOERSMA AND LUBBERS INITIALLY FAVORED THE EXTRA THREE-MONTHS POSTPONEMENT BUT GAVE IN TO FINANCE MINISTER DUISENBERG'S INSISTENCE THAT THE GOVERNMENT EITHER WOULD HAVE TO PROVIDE THE ADDITIONAL TAX REVENUE OR FURTHER REDUCE PLANNED EXPENDITURES.
BROWN

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